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AUG 3 3 1957
JOHN T. FEY, Clerk

IN THE

Supreme Court of the United States

October Term, 1957.

No. 238.

SAMUEL KRASNOV, et al.,

Appellants,

v.

UNITED STATES OF AMERICA,

Appellee.

On Appeal From the United States District Court for the Eastern District of Pennsylvania.

BRIEF IN OPPOSITION TO MOTION TO AFFIRM.

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APPELLEE'S MOTION TO AFFIRM ESTABLISHES THE SUBSTANTIALITY OF THE QUESTIONS PRESENTED.

The substantiality of the questions discussed in the Jurisdictional Statement is evident from an examination of the Motion to Affirm.

1. On Motion for Summary Judgment, May Findings Be Made in Conflict With an Affidavit Under Rule 56(f)?

The Judisdictional Statement shows that the conclusion of the court below rests on a series of findings which appellants contend are in direct conflict with the Affidavit under Rule 56(f) filed on behalf of Sure-Fit. (Jur. St. pp. 18-19, 22-23, 27-28.) Appellee does not deny the existence of these conflicts but seeks to avoid their effect by urging that the Affidavit is a legal nullity. (Mot. Aff. pp. 16-17)

Of the three cases cited in support of appellee's posi tion, two, *Peckham v. Ronrico Corp.*, 7 F. R. D. 324 (U. S D. C. Puerto Rico, 1947), and *Shultz v. Manufacturer & Traders Trust Co.*, 30 F. Supp. 443 (U. S. D. C. W. D N. Y., 1939), held an affidavit under Rule 56(f) sufficien to prevent the entry of summary judgment until such tim as the party filing the affidavit had an opportunity to com forward with evidentiary material supporting the offer of proof contained in the affidavit.[1] Furthermore, in both of these cases the 56(f) affidavits did not specify the type of proof which the party opposing the motion intended to offer, whereas, the present Affidavit under Rule 56(f) set forth in detail the matters which appellants intended to prove in defense to the charges of the complaint.

When, in the *Peckham* case, in accordance with per mission granted by the district court in its ruling on the 56(f) affidavit, the party opposing the motion for summary judgment filed a further and more detailed affidavit, the Court of Appeals held that, while the further affidavit did not comply with Rule 56(e) since not made on personal knowledge, it amounted to an offer of proof and was effective to raise factual issues compelling the denial of the motion. *Peckham v. Ronrico Corp.*, 171 F. 2d 653 (C. A. 1st, 1948).

Appellee's tacit admission of the existence of conflict between the district court's crucial findings and the Affidavit under Rule 56(f), coupled with its failure to demonstrate the legal insufficiency of the Affidavit, shows that a substantial question is presented as to the propriety of the district court's foreclosure of trial by resolving factual issues on the motion for summary judgment.

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1. In the third case cited by appellee, *Sarkes Tarzian, Inc. v. United States*, 140 F. Supp. 863 (U. S. D. C. S. D. Ind., 1956) reversed on other grounds, 240 F. 2d 467 (C. A. 7th, 1957), an affidavit under 56(f) was found to be insufficient because it showed on its face that the evidentiary material referred to therein could have been produced by affidavit under 56(e).

2. On Motion for Summary Judgment, May Inferences Be Drawn in Favor of the Moving Party?

The Jurisdictional Statement points to several areas in which the district court made significant findings of fact by drawing inferences in favor of the appellee, the party moving for summary judgment, where equally acceptable inferences might have been drawn in favor of appellants, who opposed the motion. (Jur. St. pp. 19-20, 21.)

Appellee does not deny that the district court proceeded in this fashion. (Mot. Aff. p. 19.) It attempts to justify the district court's action by arguing that the procedure adopted was correct as a matter of law. Appellee's contention is that *legal* conclusions (described by appellee as "inferences") may be drawn from undisputed facts. The cases cited by appellee deal with situations of this type. They do not stand for the proposition that *factual* inferences, whether derived from disputed or undisputed underlying facts, may be drawn in favor of the moving party when equally acceptable inferences may be drawn in favor of the party opposing the motion. Indeed, all of the authority found is to the contrary. 6 *Moore's Federal Practice* (2d Ed. 1955) ¶ 56.15[3], p. 2125 (and cases there collected), ¶ 56.15[8], p. 2161.

A recent case categorically stating the rule is *Cochran v. United States*, 123 F. Supp. 362 (U. S. D. C. Conn., 1954), in which the court said at p. 364:

> "The evidential material and subordinate facts which they contain, however, do not lead to the conclusions claimed by the plaintiffs without the liberal drawing of favorable inferences from them. This is something the court cannot do in considering the mover's case in summary judgment."

Indeed, in one of the cases relied upon by appellee, *Associated Press, et al. v. United States*, 326 U. S. 1 (1945), the

district court, Judge Learned Hand, 52 F. Supp. 362 (U. S. D. C. S. D. N. Y., 1943), in entering summary judgment specifically rejected the request that he draw factual inferences in favor of the moving party, saying at p. 365:

> "We agree that, even though the by-laws were valid on their face, evidence, drawn from past practice, might be strong enough to justify the inference that they would be administered substantially as though they had not been changed; but we ought to make no such assumption upon a motion for summary judgment, for we should be deciding a controversial issue on which the defendants would have the right to a trial."

The type of inference which Judge Hand refused to draw is almost identical to one of the inferences drawn by the district court here, that the pricing provision of the agreement was followed in practice even though it was formally cancelled in 1942. (Jur. St. pp. 20-21.)

3. Is the License Agreement Lawful?

The Motion to Affirm makes it apparent that there is presented the important legal question whether a covenant not to grant further licenses is an appropriate method of granting an exclusive license or a provision illegal under the antitrust laws. Appellants read *Western Electric Co., Inc., et al. v. Pacent Reproducer Corporation, et al.*, 42 F. 2d 116 (C. C. A. 2nd, 1930) and *Paul E. Hawkinson Co., et al. v. Carnell, et al.*, 112 F. 2d 396 (C. C. A. 3rd, 1940) as expressly ruling that a covenant not to grant further licenses is an appropriate method of granting an exclusive license.

The covenant not to grant further licenses being equivalent to an exclusive license, it follows that the provision authorizing the licensee, Sure-Fit, to bring infringement suits if the licensor, Comfy, refused to do so is lawful.

An exclusive licensee may join with the patent owner in a suit for infringement, *Western Electric Co., Inc. et al. v. Pacent Reproducer Corporation, et al., supra,* or may require his licensor to join as an involuntary plaintiff. *Independent Wireless Telegraph Company v. Radio Corporation of America,* 269 U. S. 459 (1926); *Paul E. Hawkinson Co., et al. v. Carnell, et al., supra.*

Appellants have consistently maintained that the provision of ¶ 8(a) of the agreement of October 4, 1938 that Sure-Fit's prices shall ". . . be not more favorable than the prices, terms and conditions of sale fixed from time to time and followed by Licensor in making its sales. . ." (Jur. St. p. 59a) is lawful under *United States v. General Electric Co., et al.,* 272 U. S. 476 (1926). In its Motion to Affirm appellee (Mot. Aff. p. 24-25) contends that the further covenant in ¶ 8(c) (Jur. St. p. 60a) ". . . that Licensor will likewise not sell below its scheduled prices . . ." takes the agreement outside of the ambit of the *General Electric* case. The fallacy in this argument is twofold. First, the agreement did not bind "the licensor itself not to deviate from its prices" as stated by appellee. (Mot. Aff. p. 25.) Paragraph 8(b) of the agreement (Jur. St. p. 60a) specifically provides that the licensor may change its schedule of prices from time to time on reasonable notice to the licensee. Second, since the theory underlying the *General Electric* case is that the licensee may be prohibited lawfully from impairing his manufacturing licensor's market by underselling the licensor, that case does not justify the establishment by the licensor of prices for its licensee which are higher than the licensor's own prices. Consequently, where, as here, the licensee agrees to sell at prices stated on a schedule, represented to be the licensor's prices, the licensor must covenant to maintain those prices or the licensee in following the schedule will be required to make sales at prices higher than the licensor. The legality of such a requirement would be highly questionable.

The short answer to the Government's contention, however, is that a substantially identical provision[2] was contained in the General Electric license, and an identical contention[3] was made by the Government as to the illegality of that provision. This Court nevertheless found the agreement to be lawful.

4. May Injunctive Relief Be Granted Without a Demonstration of Its Necessity?

Appellee asserts that while there is nothing, either findings or discussion, in the district court's opinion which would justify the injunctive relief relating to trade practice contained in Sections VI (A)-(E) of the judgment (Jur. St. p. 35a), this Court should now examine the entire record to determine whether such relief was appropriate. Appellants do not conceive such examination to be the duty of this Court and suggest that where the relief is not remotely germane to the offenses determined by the district court to have taken place it should not be sustained.

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2. *United States v. General Electric Co., et al.*, October Term, 1926, No. 113, Transcript of Record p. 125:

"Similarly, the damages shall be determined by the Arbitrators in case of sales of lamps by the Licensor at prices lower or on terms and conditions more favorable to the purchaser than those established by the Licensor for sales by the Licensee, and, in the absence of evidence to the contrary, the damages shall be an amount equal to the total value, at the prices established under this agreement, of the lamps involved in each transaction."

3. *United States v. General Electric Co., et al.*, October Term, 1926, No. 113, Brief for United States p. 25:

"In the view of the Government this license agreement violates the Antitrust Act in three particulars:

* * *

"3. It obligates the licensor to sell lamps at the same price, and on the same terms and conditions as the licensee, and thus prevents the licensor itself from exercising a free judgment as to prices at which and terms and conditions according to which it shall sell its lamps."

5. Does a Suit by the United States Under the Antitrust Laws for an Injunction Abate on the Death of a Defendant?

Appellee does not deny that this is a question of first impression but argues that the question was correctly decided below. (Mot. Aff. pp. 30-31). In support of this contention Appellee cites treble damage cases in which, it is conceded, the action does survive the death of a party because it involves property rights. Appellee also relies on the proposition that generally suits in equity do not abate upon the death of a party. No recognition is made, however, of the more fundamental rule that "whether an action survives depends on the substance of the cause of action, not on the forms of proceeding to enforce it." *Schreiber v. Sharpless*, 110 U. S. 76, 80 (1883). On this principle, which accords with the fusion of law and equity accomplished by the Federal Rules of Civil Procedure, it generally has been held that suits involving property rights survive the death of a party, while those not involving such rights abate. See *Barnes Coal Corporation v. Retail Coal Merchants Ass'n., et al.*, 128 F. 2d 645, 649 (C. C. A. 4th, 1942); *Almour v. Pace*, 193 F. 2d 699, 700 fn. 2 (C. A. D. C., 1951). All of the cases relied upon by appellee are of the former type, i. e., involve property rights, but the present case is not.

The present action has abated as to Joseph A. Krastov because it does not involve property rights; *see Barnes Coal Corporation v. Retail Coal Merchants Ass'n., et al.; Almour v. Pace, supra;* is essentially penal in nature; *Schreiber v. Sharpless*, 110 U. S. 76 (1883); *Porter v. Montgomery*, 163 F. 2d 211 (C. C. A. 3rd, 1947); *Boucles v. Farmers Nat. Bank of Lebanon, Ky.*, 147 F. 2d 425 (C. C. A. 6th, 1945); and seeks injunctive relief against a dead man. See *Boucles v. Montgomery*, 66 F. Supp. 889, 891 (D. C. W. D. Pa., 1946), *aff'd.* 163 F. 2d 211 (C. C. A. 3rd, 1947).

CONCLUSION.

For the reasons set forth above, appellee's Motion to Affirm should be denied and the questions presented given plenary consideration.

Respectfully submitted,

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